

Treasury International Programs

Mission:

To manage the multilateral development banks to focus on raising productivity in developing countries and promoting growth, to ensure the burden of unsustainable debt does not leave less economically developed nations mired in poverty and to provide technical advice on developing market-based economies to developing countries.

Program Summary by Appropriations Account

(Dollars in Thousands)

Appropriations	FY 2005	FY 2006	FY 2007
	Enacted	Enacted	President's Budget
International Financial Institutions	\$1,219,199	\$1,271,782	\$1,328,968
Global Environment Facility	106,640	79,200	56,250
International Development Association	843,200	940,500	950,000
Multilateral Investment Guarantee Agency	0	1,287	0
Asian Development Fund	99,200	99,000	115,250
Asian Development Bank	0	0	23,750
African Development Fund	105,152	134,343	135,700
African Development Bank	4,067	3,602	5,018
European Bank for Reconstruction and Development	35,148	1,005	0
Inter-American Development Bank			
Multilateral Investment Fund	10,912	1,724	25,000
Inter-American Investment Corporation	0	1,724	0
International Fund for Agricultural Development	14,880	14,850	18,000
Arrears	[10,912]	[5,453]	[0]
Debt Restructuring	\$99,200	\$64,350	\$182,799
Treasury Technical Assistance	\$18,848	\$19,800	\$23,700
Total Program Level	\$1,337,247	\$1,355,932	\$1,535,467

Overview

Treasury's FY 2007 budget request for the international assistance programs supports the G8 multilateral debt relief initiative, implementing the enhanced Heavily Indebted Poor Countries (HIPC) initiative, furthering measurable results, improving debt sustainability and increasing grants, and improving transparency and fighting corruption, key objectives of the President's agenda. Treasury's request can be divided into three categories: International Financial Institutions (IFIs); International Affairs Technical Assistance, and Debt Restructuring.

In FY 2005, Treasury International Affairs has initiated, reinforced, and extended key policy reform objectives in the international financial institutions, including securing, with the United Kingdom and other key countries, a multilateral debt relief and grants initiative for the world's poorest countries. Implemented through the International Development Association (IDA) and the African Development Fund (AfDF), this initiative will stop the destabilizing lend and forgive cycle of development assistance and free up resources for more effective poverty reduction.

Treasury International Affairs also achieved an historic Paris Club debt reduction agreement for Iraq, debt relief for tsunami-affected countries, a creative Paris Club agreement that eliminates Nigeria's debt at no cost to the U.S. taxpayer, and further implementation of the enhanced HIPC initiative including bilateral debt reduction for the Democratic Republic of the Congo.

The total FY 2007 request for Treasury's International Assistance Programs is \$1,535,467,416, including contributions of \$1,328,968,416 to the International Financial Institutions (IFIs), \$23,700,000 for Treasury's International Technical Assistance Programs and \$182,799,000 for Debt Restructuring.

Source of Funds

Treasury's international assistance programs are funded through direct appropriation in the Foreign Operations, Export Financing and Related Programs bill.

Program Description

International Financial Institutions (\$1,328,968,416 from direct appropriations). International Financial Institutions (IFIs) provide loans, grants and investments in developing and transition economies and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to encourage private financing. Bank policies and assistance programs reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

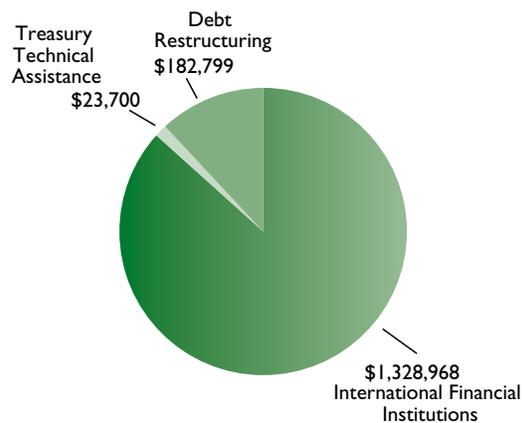
Debt Restructuring (\$182,799,000 from direct appropriations). Debt Restructuring for the poorest countries provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. Debt reduction under the Tropical Forest Conservation Act allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

In FY 2007, Treasury request funds to complete HIPC debt reduction for the Democratic Republic of the Congo (DROC), and for other HIPC and poor country and Tropical Forest Conservation Act (TFCA) debt reduction programs.

International Affairs Technical Assistance (\$23,700,000 from direct appropriations.) International Affairs Technical Assistance provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports economic policy and financial management reforms focusing on the functional areas of budget, taxation, government debt, financial institutions and financial crimes law enforcement.

International Programs Funding by Appropriation

(Dollars in Thousands)



Performance Highlights

Treasury achieved commitment to a number of key reforms in the international financial institutions that will achieve results in delivering on their mandates to promote economic growth and development and reduce poverty. These include securing a G8 multilateral debt relief initiative for the world's poorest and most heavily indebted countries that will end the destabilizing lend-and-forgive approach to development assistance and the development of more robust management and performance measurement systems for the International Development Association (IDA),

International Programs FY 2007 Budget Highlights

(Dollars in Thousands)

	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2005 Enacted	\$1,219,199	\$18,848	\$99,200	\$1,337,247
FY 2006 Appropriation (P.L. 109-102)	1,290,137	20,000	65,000	1,375,137
Rescission (P.L. 109-148)	(12,901)	(200)	(650)	(2,140)
FY 2006 Enacted	\$1,277,235	\$19,800	\$64,350	\$1,361,385
Increases	51,733	3,900	118,499	174,132
FY 2007 President's Budget Request	\$1,328,968	\$23,700	\$182,799	\$1,535,467

the African Development Fund (AfDF) and other multilateral development banks (MDBs).

Through IDA-14 and AfDF-10 replenishments, results measurement will be robust, with the adoption of clear, measurable goals and targets and results-based management processes and standards. The banks will improve transparency and measures to fight fraud and corruption in countries, on MDB projects, and in the institutions themselves. IDA will conduct an independent assessment of its internal controls framework, the AfDB established a new anti-corruption and investigative unit, the IDB overhauled its procurement policies and practices to conform to best international practices, and the AsDB significantly increased its in-country governance programs. Adoption of debt sustainability frameworks in IDA, AfDF, and IFAD will provide increased grant resources to the poorest countries, taking into account their debt vulnerability.

Treasury achieved an unprecedented level of debt relief in the Paris Club for Iraq, with agreement on a staged 80 percent reduction. The United States went beyond the Paris Club framework to reduce all \$4 billion in U.S. claims on Iraq.

Treasury negotiated debt deferral and rescheduling agreements for Indonesia and Sri Lanka in the Paris Club, to help these countries devote more resources to recovery and reconstruction following the tsunami disaster.

Treasury achieved an innovative debt reduction and debt buyback treatment for Nigeria in the Paris Club. In the context of an agreement that eliminated all of

Nigeria's debt to the Paris Club, the U.S. will receive more than \$350 million in payments from Nigeria, which more than offsets the U.S. budget cost of the debt treatment.

Under the enhanced HIPC initiative, 28 countries have now demonstrated sufficient progress on economic reform and commitment to poverty reduction to reach their Decision Points. They are benefiting from debt relief that will lower their debt stocks by two-thirds, reduce debt service ratios by nearly half, and allow for increased poverty reduction expenditures in areas such as basic health, education, and rural development.

International Programs Funding History

(Dollars in Thousands)



FY 2007 Program Estimates

International Financial Institutions (IFIs) (\$1,328,968,416)

International Development Association (\$950,000,000)

Treasury requests \$950.0 million for the second of

three payments to the fourteenth replenishment of IDA (IDA-14). U.S. leadership secured a number of key objectives including a debt sustainability framework for grant eligibility that will significantly increase grant financing to approximately 30 percent of total resources; an expanded results measurement system with country outcome indicators, sector output indicators, project level indicators, and country level institutional indicators; improved transparency and anti-corruption measures and commitment to conduct an independent assessment of its internal controls framework.

Global Environment Facility (\$56,250,000) Treasury requests \$56.25 million for the first of four payments to the fourth replenishment (GEF-4). Progress on the GEF-3 policy reforms has been slow, and a number of reforms remain incomplete. GEF-4 replenishment negotiations are ongoing, but there is not yet a consensus on the policy reforms needed to improve project quality, portfolio management, resource allocations, transparency, anti-corruption efforts and the overall effectiveness of the GEF. The level of the request is an estimate based on progress on the negotiations to date and is contingent upon satisfactory agreement on outstanding policy issues. The final number could be higher or lower.

Multilateral Investment Fund (\$25,000,000) Treasury requests \$25.0 million for the first of six payments to the first replenishment of the MIF (MIF-2). The U.S. pledged \$150 million over six years and is the largest single shareholder; it has veto power over MIF projects. The U.S. achieved its key objectives in the replenishment negotiations including a strengthened commitment to measurable results, increasing efficiency, maintaining a focus on grants, allocating resources to maximize innovation, and reforming Inter-American Development Bank procurement guidelines.

Asian Development Fund (\$115,250,000) Treasury requests \$115.25 million for the second of four payments to the eighth replenishment of the AsDF (AsDF-9). In the AsDF-9 Agreement, the U.S. secured

a number of important policy reforms, including: the formation of a grants window through which grants will comprise 30 percent of assistance to the poorest countries in Asia; the significant increase in the weight given to good governance and economic performance in the formula used to determine country allocations; the establishment of new offices to strengthen internal oversight and implement results measurement; and increased transparency.

African Development Bank (\$5,018,416) Treasury requests \$5.0 million for the eighth of eight payments to the AfDB's fifth general capital increase (GCI-5).

African Development Fund (\$135,700,000) Treasury requests \$135.7 million for the second of three payments to the tenth replenishment of the AfDF (AfDF-10). U.S. leadership secured key objectives, including: a substantial increase in grant funding under an agreed debt sustainability framework; enhanced effectiveness to achieve measurable results on the ground; improved transparency and increased activities to fight corruption; and greater support to post-conflict countries. The total AfDF-10 replenishment makes available approximately \$1 billion per year for grant and lending operations to promote growth and development in the poorest countries in Sub-Saharan Africa.

International Fund for Agricultural Development (IFAD) (\$18,000,000) Treasury requests \$18.0 million for the first of three payments to the seventh replenishment of IFAD (IFAD-7). In December, 2005, negotiations were concluded on IFAD-7 and the U.S. exercised leadership to achieve key objectives, including: a time-bound and measurable plan to address key findings of the independent external evaluation that has an overall goal of increasing effectiveness of IFAD operations; improved implementation of the performance based allocation system including removing fixed regional allocations; a debt sustainability framework that will result in an increase in grant funding; and increased transparency and anti-corruption measures.

Debt Restructuring (\$182,799,000)

Democratic Republic of Congo Bilateral HIPC Debt Reduction (at least \$175,000,000) The cost of canceling the remainder of the DRC's bilateral debt stock with the United States is at least \$237 million. Treasury intends to use \$18.4 million of the remaining FY2005 funds, along with \$44 million of non-TFCA FY2006 funds, toward the cost of the DRC's HIPC Completion Point treatment, leaving an unfunded balance of at least \$175 million.

Other HIPC and Poorest Country Debt Reduction and Tropical Forest Conservation Act Depending upon timing and evolving Administration priorities, Treasury will use this the remainder of FY 2007 funds between HIPC related debt reduction (e.g. Liberia, Sudan) and TFCA debt swap programs.

Technical Assistance

Technical Assistance (\$23,700,000) Treasury's technical assistance program provides expert financial and economic advisors to countries that are experiencing post-crisis adjustment or facing economic transition and are committed to significant financial reform. The increase over our FY 2006 submission is justified in order to ensure Treasury's ability to be a "first responder" in post-crisis situations by quickly marshaling experts for deployment overseas; to continue addressing very important issues such as money laundering, terrorist financing, and public corruption; and to act upon the many new requests for technical assistance received from countries that are of policy importance to the U.S. Government – particularly in the Greater Middle East, Sub-Saharan Africa, the Americas, and countries with significant extractive industries. Failure to achieve a substantial increase in TIATA funding will impair Treasury's efforts to play an influential role in supporting global financial reform.

Legislative Proposals

For FY 2007, the Administration is requesting authorization for the U.S. contribution to the first replenishment of the Enterprise for the Americas Multilateral Investment Fund (MIF).

